

*Risk Management*

## Farm and Ranch Personnel Management

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People—human capital—are a vital resource in making a farm or ranch business more competitive in today’s business environment. With participatory management there are opportunities to realize the potential of human capital. This publication summarizes ideas about modern personnel management that illustrate ways to attain a farm’s or ranch’s business goals through its people.

### **Management Styles**

The old command-and-control management style is fading and is being replaced by a participatory management approach that involves everyone in defining objectives, making decisions and being accountable. Better trained personnel, performance measurements, improved information systems, and two-way communication are critical if all personnel are to be involved and responsible. Owners and managers need to take the responsibility for fostering employee participation rather than simply giving orders and then checking to see if the job was done. Walk-around management and two-way communication show respect for the ideas of all employees and are part of successful personnel management. Implementing participatory management also requires the sharing of written goals, strategies, financial data, and production performance information. Tying reward systems to strategies and improved performance is part of the participa-

tory management style. Reducing the levels and number of “commanders” may also reduce costs and improve employee satisfaction.

A change in management style requires a major change in philosophy. New skills must be developed or a change in the people at the top of the organization may be required. Communication and performance evaluation systems must be developed to achieve a change in personnel management philosophy.

Management by objectives and rewarding performance is much more achievable if everyone participates in defining goals and objectives and is accountable for both their own and collective efforts. All efforts toward participatory personnel management begin with all employees knowing their job responsibilities and how they fit into the overall business plan, the goals and objectives of the business, and how to work as team.

### **Changing Management Style**

Production agriculture has been and is still dominated by the command-and-control management style. Many employees find this style convenient. If things go wrong “it’s the manager’s fault.” They would rather not be accountable for their actions. On the other hand, as the manager’s responsibilities broaden, employees must be expected to do their own thinking. It does not make sense for managers to try to be everywhere and to make all decisions. The leadership role is much more important than that. Communication, par-



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ticipation, and performance analysis must replace the command-and-control style. Most people want to make a difference and performance needs to be quantified and measured when it happens.

Owners must initiate a change in management style. They must motivate participation. They must begin to identify and employ workers who respond to the participatory style. Again, the communication of goals and sharing of financial and performance objectives becomes the motivation. In many situations the current “commander” must be replaced or retrained. A change in management style often must be facilitated by an outside professional who can train and motivate employees and who does not have a vested interest in changing working relationships.

Modifying the reward system, enhancing communication, and providing support with an effective management information system can facilitate the management style transition. The sooner an organization makes the commitment to change, the sooner the benefits can be achieved.

### **Job Description**

Employee participation is enhanced by developing written job descriptions that clearly define responsibilities, the basis for measuring performance and the reward system that recognizes varying levels of achievement. A commitment toward continued training and sharing of training costs needs to be spelled out to all personnel as part of their job descriptions. Expectations that employees will work toward being good team members also should be spelled out in job descriptions. This reinforces the philosophy that there is a mutual dependence required to accomplish individual job and overall business objectives.

Job descriptions are also helpful in identifying and hiring employees, especially when developed through a participatory effort and closely tied to business strategies.

### **Team Efforts**

Although most farms and ranches have too few employees to justify forming several teams, they can benefit from owners, managers and employees working as a team. In the words of Katzenbach and Smith, the reason to use a team or group approach is that “teams outperform individuals

acting alone, especially when performance requires multiple skills, judgement and experience.” The key to successful team efforts, summarized from Katzenbach and Smith, are:

1. There is group agreement on a common purpose—established urgency and direction.
2. Measurable performance goals are established.
3. A defined working approach to accomplish tasks is followed.
4. Holding each employee mutually accountable for results benefits all involved.

There must be measurable performance goals for employees. Participants need to be rewarded for achievements through the efforts of the team. The team leader is a facilitator and is not expected to have all the answers. The purpose of the team is to be more effective than an individual. Even small teams in a farm/ranch environment can practice participatory decision making and motivate participants to a higher level of achievement.

### **Taking Care of Employees**

In today’s farm/ranch management environment, it is challenging to be the operations manager and be responsible for working through employees to see that everything is done correctly and effectively, while also completing other objectives. Too many times managers spend time doing the jobs that someone can be hired to do at the minimum wage rate and letting critical marketing and financial management decisions go undone.

Employees cannot be neglected. Successful management begins with employee considerations. The best trained and most motivated personnel often do not stay in agriculture. This makes participatory management even more valuable. Continued training, employee reward systems, benefit packages and living conditions that make a job as favorable as possible will pay off in employee retention. The total employee “family” must be part of the “package.” Often it’s the spouse and children and their education that have to be part of the total package. The high cost of maintaining employees means they have to be efficient and effective in their jobs. Training and reward systems cannot be neglected.

## **Temporary Service**

The high cost of permanent employees has encouraged hiring specialized help by outsourcing specific jobs. Day labor is common for peak seasonal activities such as custom pesticide and fertilizer application and custom hay harvest. When evaluating the benefit of outsourcing these services, the cost of full-time employees and the associated personnel management cost must be of primary concern.

One of the advantages of temporary employees and services is that it's easier to get out of the arrangement if the job is not done correctly. Just as in the service and manufacturing business, expect temporary service or out-sourcing to be increasingly important in meeting personnel needs.

## **Employee Training**

To ensure that employees have and maintain the necessary skills to perform their duties, continuing education and training must be an ongoing part of the employee management and maintenance package. Employees should be rewarded for a job well done and encouraged to explore and learn new and more efficient ways of performing their jobs. Greater access to education and information through computer systems will have to become part of the new rural working environment.

The job description and performance analysis should communicate the expectations that ongoing training is the responsibility of all employees. Many farm/ranch owners and managers could join together to encourage private and public offerings of continuing education and training opportunities. Managers, professionals and other top employees of the farm/ranch must stimulate and encourage continuing education and training efforts.

It is hard to expect high performance and continued improvements if the "human capital" is not growing in capability and expectations.

## **Selecting and Terminating Employees**

Two of the most difficult tasks of personnel management are selecting and terminating employees. Too often managers keep employees who

do not meet the job requirements because the task of letting them go and hiring and training new employees seems too difficult. The cost of keeping an incompetent employee is not only the cash outlay but also the cost of opportunities lost or the recurring cost of correcting problems because the job is not being done correctly.

The whole hiring and dismissal process is more effectively accomplished if the job description, performance evaluation, and mission and objectives are clearly communicated. Employees need feedback to know how they are doing and what needs to be changed. Both managers and employees need objectively measured performance results. Documented underachievement can make it clear when termination is required. This information also helps in the selection of replacements.

## **Leadership**

No area of personnel management is more important than the leadership ability of the farm/ranch owner(s) or top manager. Few operations can justify having a specialized chief executive officer (CEO) whose primary responsibility is business leadership. Normally the owner-manager or manager must be both a leader and an operations manager. Leaders make sure that employees are doing the right thing. Leadership is about effectiveness and results. Managers make sure that things are done right. Management is about efficiency.

The business leader must provide vision, face reality, and communicate reality and direction to the business participants. Leaders identify with the "customer's needs," ensuring that the farm or ranch is "customer" focused.

Important functions of leaders in personnel management are impressing upon employees that they are capable and empowering them to maximize their capabilities. This cannot be accomplished with the command-and-control management philosophy.

Leaders must generate and sustain trust to gain employees' following. Business leaders must develop employees who can identify problems and assist them in finding solutions. Leaders must motivate employees to achieve excellence in everything they do. Leaders also need to be decisive and timely in decision making when dealing with employees.

Loyalty that is built among employees will carry through to customers. For successful business leaders, experience, competency and a commitment to lifelong learning have never been more important.

### **Communications—Using Outside Professionals**

It is common in any business for problems to arise between employees and management. Bringing in an outside professional who understands farm/ranch personnel management and general agricultural production, marketing and financial issues can facilitate better communications by identifying opportunities for improvement. Experienced outsiders, without a vested interest, can identify employee-manager situations that require change. They can listen to employees' frustrations and communicate alternatives for improvement in a manner that is objective and that protects employees. An outside professional can communicate reality without worrying about job security, as might be the case if an employee were to communicate the same information. Another advantage in using experienced outsiders is that they can communicate findings and solutions from other businesses that will help the business being evaluated. This information is often difficult to acquire, as owners and managers tend to protect the type of information that might reflect their shortcomings.

### **Business Plan and Execution**

Personnel management must center on a well-developed business plan that clearly defines management philosophy, goals and performance analysis procedures that monitor accountability and achievements. The focus must be on execution. All must understand that it is not the strategy that makes for success, it is the execution—getting it done, getting it done right and getting it done on time. Leader tenacity is a virtue that is most important in achieving desired results.

### **Conclusion**

For a farm or ranch to be competitive, there is no more important activity than personnel management. Modern management style focuses on the participatory involvement of all employees and helps them reach their full potential. The participatory management style can lead the business to greater competitiveness through its people—the most valuable resource for the lasting success of the business.

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